



Three-month Consolidated Financial Report for the Fiscal Year ending October 31, 2014 [Japan GAAP]

March 7, 2014

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for submission of Quarterly Report March 14, 2014
 Scheduled date for commencement of dividend payments –
 Preparation of Quarterly Settlement Supplementary Explanatory Materials: No
 Quarterly Earnings Briefings: No

1. Operating Results for the Three-Month Period of the Fiscal Year Ending October 31, 2014 (November 1, 2013 - January 31, 2014)

(1) Consolidated operating results (Cumulative) (Numbers less than one million yen have been rounded down)
 (Percentages shown are the percent increase or decrease compared to the prior consolidated fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2014: First quarter	33,148	15.5	5,651	45.6	5,684	47.5	3,346	55.6
Fiscal Year ended October 31, 2013: First quarter	28,687	37.2	3,881	67.5	3,852	77.0	2,151	84.5

(Note) Comprehensive income
 Fiscal Year Ending October 31, 2014 First Quarter ¥3,715 million (34.5%)
 Fiscal Year Ended October 31, 2013 First Quarter ¥2,762 million (120.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2014: First quarter	92.86	—
Fiscal Year ended October 31, 2013: First quarter	65.52	—

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2014: First quarter	176,484	59,538	32.7
Fiscal Year ended October 31, 2013:	169,250	56,192	32.2

(Reference) Shareholders' Equity
 Fiscal Year Ending October 31, 2014 First Quarter ¥57,671 million
 Fiscal Year Ended October 31, 2013 ¥54,549 million

2. Dividends

	Full Year Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended October 31, 2013	Yen —	Yen 10.00	Yen —	Yen 10.00	Yen 20.00
Fiscal year ending October 31, 2014	—				
Fiscal Year ending October 31, 2014 (Projected)		15.00	—	15.00	30.00

(Notes) 1. Has the Company revised its most recently released dividend projection? No

2. Breakdown of second quarter dividend for the fiscal year ending October 2014 (projected)

Ordinary dividend ¥10.00 Commemorative dividend ¥5.00

Breakdown of year-end dividend for the fiscal year ending October 2014 (projected)

Ordinary dividend ¥10.00 Commemorative dividend ¥5.00

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 2014

(November 1, 2013 - October 31, 2014)

(Percentages indicate percent change from prior fiscal year and prior fiscal year quarter)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim (Year-to-date)	59,600	8.9	7,390	9.5	7,030	4.7	3,820	2.8	105.99
Full year	117,500	6.0	12,530	10.0	12,090	9.2	6,050	4.1	167.87

(Note) Has the Company revised its most recently released projected consolidated operating results during the quarter?

No

Note: Other

(1) Were there changes to material subsidiaries during the period under review (transfer of specified subsidiaries in conjunction with revisions to the scope of consolidation)? No

Company newly included (Company name:)

Company newly excluded (Company name:)

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policy in conjunction with revision of accounting standards? No

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(4) Number of shares issued (common stock)

(a) Number of shares outstanding at the end of the period (including treasury stock)

Fiscal year ending October 31, 2014 First Quarter 36,092,241 shares

Fiscal year ended October 31, 2013 36,092,241 shares

(b) Number of shares of treasury stock at the end of the period

Fiscal year ending October 31, 2014 First Quarter 52,633 shares

Fiscal year ended October 31, 2013 50,041 shares

(c) Average number of shares outstanding during the period (consolidated year-to-date)

Fiscal year ending October 31, 2014 First Quarter 36,040,454 shares

Fiscal year ended October 31, 2013 First Quarter 32,831,786 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

This quarterly earnings report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the Company has not completed the quarterly review procedure for quarterly financial statements.

Note: Explanation concerning appropriate use of the projected operating results and other items to note

Note Concerning Forward-Looking Statements

The above projections were prepared based upon information available to the Company at the time the projections were announced as well as various assumptions concerning the future economic and business environment. Actual operating results may differ from the projected figures depending upon various factors in the future. Please refer to the Qualitative Information Concerning Consolidated Projected Operating Results on Page 3 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

< Management Environment > (From November 1, 2013 to January 31, 2014)

Japan's economy during the Kanamoto Group's first quarter maintained a modest recovery trend. The effects of the government's aggressive monetary and fiscal policy began to spread to the real economy, as the depreciation of the yen and rising stock prices were coupled with the spread of other positive signs, including improved corporate earnings and a recovery in personal consumption.

< First Quarter Operating Results > (From November 1, 2013 to January 31, 2014)

In the construction industry that is related to the Kanamoto Group's main business, the central government's construction investment, including the effect of the supplementary budget in conjunction with earthquake disaster reconstruction, remained brisk. Private sector construction investment was robust as well, supported by strong corporate profits, and overall a modest recovery trend was seen. Nevertheless, the construction trend remained clouded by conditions that were difficult to discern, including the conspicuous emergence of issues such as tender mishaps because of the engineer and skilled worker shortage, and stubbornly high raw materials prices.

Given these circumstances, the Kanamoto Group continued to focus its resources on restoration-related works and pursue efficient asset utilization to the maximum extent of its abilities. At the same time the Company took steps to strengthen cooperation among the Group's firms, and enhance its business structure and improve its financial position by analyzing and fine tuning its current operating procedures. Finally, with the start of its new Medium to Long-term Management Plan from November of this year, Kanamoto will zealously move ahead with the formulation of business and regional strategies based on future market trends.

Consolidated net sales for the first quarter of the Business Period ending in October 2014 climbed 15.5% compared with the same period of the prior consolidated fiscal year to ¥33,148 million. In terms of earnings, operating income jumped 45.6% from the same period of the prior consolidated fiscal year to ¥5,651 million, ordinary income increased 47.5% year-on-year to ¥5,684 million and first quarter net income was up 55.6% year-on-year to ¥3,346 million.

Results for each of the Company's business segments were as follows.

[Business related to the Construction Equipment Rental Division]

In the construction-related business that is Kanamoto's core business, construction equipment rental demand remained at a high level. In addition to Japan's earthquake-related reconstruction effort reaching its peak, factors driving this demand included execution of the 15-month budget, a surge in demand ahead of the increase in the consumption tax and serious disasters caused by localized torrential rains.

In addition, operating results in every region exceeded performance in the same period of the prior consolidated fiscal year, boosted by the continuing steady demand from countermeasure works to address ageing infrastructure as well as disaster prevention and disaster mitigation works throughout Japan.

To maintain an appropriate rental asset portfolio, Kanamoto continued to systematically sell assets overseas, where sales of the Company's used construction equipment rose 44.2% compared with the same period of the prior consolidated fiscal year.

As a result of the above factors, first quarter net sales for Kanamoto's construction-related businesses improved 15.7% from the same period of the prior consolidated fiscal year to ¥31,330 million, and operating income increased 45.9% year-on-year to ¥5,539 million.

[Other businesses]

In the steel products sales the Company is developing in Hokkaido, sales for earthquake disaster reconstruction sites and harbor seawall-related works were strong, pushing revenues up 12.0% compared with the prior consolidated fiscal year. The Company's information and telecommunications-related businesses achieved good results as well, with sales up 14.2% year-on-year, reflecting extended computer rental contract

periods and stable new demand for operating system replacements, and steady growth in the specified worker dispatching business.

As a result of these factors, first quarter net sales for Kanamoto's other businesses rose 12.3% from the same period of the prior consolidated fiscal year to ¥1,817 million, and operating income jumped 104.1% year-on-year to ¥35 million.

[Business development issues deserving special mention and status of branch office changes]

The Company did not open or close any branches during the first quarter consolidated accounting period.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Total assets at the end of the first quarter under review increased by ¥7,234 million compared with the end of the prior consolidated fiscal year to ¥176,484 million. This change mainly reflected an increase in rental equipment of ¥6,499 million.

Total liabilities were ¥116,946 million, an increase of ¥3,888 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥1,547 million in accounts payable-other and an increase of ¥4,893 million in long-term accounts payable-other that accompanied the increase in rental equipment, and a total decrease of ¥2,845 million in current portion of long-term loans payable and long-term loans payable.

Total net assets were ¥59,538 million, ¥3,345 million higher than at the end of the prior consolidated fiscal year. This was mainly because of the net income reported for the first quarter of ¥3,346 million.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

There are no revisions to the full-year projected operating results that the Company announced in the *Financial Statements Bulletin for the Fiscal Year Ended October 31, 2013 (Japan GAAP)* released on December 11, 2013.

2. Matters Concerning Summary Information (Notes)

The Company had no material items to report.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2013)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2014)
Assets		
Current assets		
Cash and deposits	32,627,458	30,864,309
Notes and accounts receivable-trade	27,731,488	29,259,076
Securities	350,000	350,000
Merchandise and finished goods	642,805	725,417
Costs on uncompleted construction contracts	20,081	43,410
Raw materials and supplies	201,740	206,565
Construction machine parts	3,954,840	4,351,781
Income taxes receivable	29,255	24,342
Consumption taxes receivable	8,313	35,946
Deferred tax assets	983,057	680,806
Other	754,987	1,044,447
Allowance for doubtful accounts	-335,792	-321,603
Total current assets	66,968,236	67,264,500
Noncurrent assets		
Property, plant and equipment		
Rental equipment	131,975,682	141,379,461
Accumulated depreciation	-75,075,764	-77,980,222
Rental equipment, net	56,899,918	63,399,238
Buildings and structures	22,843,038	22,935,075
Accumulated depreciation	-15,140,640	-15,291,850
Buildings and structures, net	7,702,397	7,643,224
Machinery, equipment and vehicles	5,480,758	5,486,430
Accumulated depreciation	-4,861,608	-4,861,339
Machinery, equipment and vehicles, net	619,149	625,091
Land	29,798,341	29,862,468
Other	1,315,544	1,479,860
Accumulated depreciation	-1,012,516	-1,026,384
Other, net	303,028	453,475
Total property, plant and equipment	95,322,835	101,983,498
Intangible assets		
Goodwill	19,894	11,008
Other	250,882	284,433
Total intangible assets	270,777	295,442
Investments and other assets		
Investment securities	5,256,183	5,566,044
Deferred tax assets	147,708	152,064
Other	1,894,365	1,825,275
Allowance for doubtful accounts	-541,221	-533,875
Allowance for investment loss	-67,985	-67,985
Total investments and other assets	6,689,049	6,941,524
Total noncurrent assets	102,282,662	109,220,465
Total Assets	169,250,899	176,484,966

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2013)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,293,370	23,138,363
Short-term loans payable	591,774	638,116
Current portion of long-term loans payable	12,179,620	11,597,693
Lease obligations	1,085,477	1,040,756
Income taxes payable	3,533,247	1,935,949
Provision for bonuses	823,580	394,823
Allowance for losses on employee pension fund withdrawal	200,001	200,001
Accounts payable-other	12,728,761	14,276,270
Other	1,983,706	2,154,135
Total current liabilities	54,419,541	55,376,110
Noncurrent liabilities		
Long-term loans payable	26,288,975	24,025,896
Lease obligations	2,662,783	2,882,019
Provision for retirement benefits	7,896	10,040
Long-term accounts payable-other	29,329,772	34,223,081
Asset retirement obligations	210,132	222,333
Other	138,957	206,945
Total noncurrent liabilities	58,638,518	61,570,316
Total Liabilities	113,058,060	116,946,426
Net Assets		
Shareholders' equity		
Capital stock	13,652,938	13,652,938
Capital surplus	14,916,981	14,916,981
Retained earnings	24,462,016	27,448,169
Treasury stock	-48,497	-55,364
Total shareholders' equity	52,983,438	55,962,724
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,567,744	1,735,795
Foreign currency translation adjustment	-1,706	-27,195
Total accumulated other comprehensive income	1,566,038	1,708,600
Minority interests	1,643,362	1,867,214
Total Net Assets	56,192,839	59,538,539
Total Liabilities and Net Assets	169,250,899	176,484,966

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Three-month Period ended January 31, 2014)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2012 to January 31, 2013)	Current Consolidated Fiscal Year First Quarter (From November 1, 2013 to January 31, 2014)
Net sales	28,687,949	33,148,257
Cost of sales	19,304,549	21,772,259
Gross profit	9,383,399	11,375,997
Selling, general and administrative expenses	5,502,048	5,724,480
Operating income	3,881,350	5,651,517
Non-operating income		
Interest income	1,968	866
Dividends income	16,336	22,675
Insurance income	23,859	25,463
Rent income	10,704	13,687
A receipt bonus	1,022	19,107
Amortization of negative goodwill	14,880	—
Foreign exchange gains	102,011	111,998
Reversal of allowance for doubtful accounts	7,901	29,990
Other	49,179	47,319
Total non-operating income	227,864	271,109
Non-operating expenses		
Interest expenses	213,222	172,179
Loss on sales of notes payable	11,885	10,967
Other	31,297	55,167
Total non-operating expenses	256,405	238,314
Ordinary income	3,852,809	5,684,312
Extraordinary income		
Gain on sales of noncurrent assets	1,809	19,543
Subsidy income	22,262	274
Other	59	59
Total extraordinary income	24,131	19,876
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	8,916	6,042
Total extraordinary losses	8,916	6,042
Income before income taxes and minority interests	3,868,024	5,698,146
Income taxes-current	1,385,866	1,850,394
Income taxes-deferred	160,298	274,241
Total income taxes	1,546,164	2,124,635
Income before minority interests	2,321,860	3,573,511
Minority interests in income	170,851	226,935
Net income	2,151,008	3,346,575

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Three-month Period ended January 31, 2014)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2012 to January 31, 2013)	Current Consolidated Fiscal Year First Quarter (From November 1, 2013 to January 31, 2014)
Income before minority interests	2,321,860	3,573,511
Other comprehensive income		
Valuation difference on available-for-sale securities	353,238	167,973
Foreign currency translation adjustment	87,701	−25,488
Total other comprehensive income	440,939	142,484
Quarter comprehensive income	2,762,799	3,715,995
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,573,939	3,489,136
Comprehensive income attributable to minority interests	188,860	226,858

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Note on Significant Changes to Shareholders' Equity)

The Company had no material items to report.

(Business Segment Information)

I First quarter of the previous consolidated fiscal year (from November 1, 2012 to January 31, 2013)

1. Information concerning net sales and profit or loss of each reporting segment

(Unit: Thousands of yen)

	Reporting segment	Other Businesses (See Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	27,069,618	1,618,330	28,687,949
Net sales or transfers between related segments	—	—	—
Total	27,069,618	1,618,330	28,687,949
Segment income	3,796,855	17,168	3,814,023

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division and other businesses.

2. Difference between total reporting segment profit or loss and the amount reported on the Quarterly Consolidated Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Thousands of yen)

Income	Amount
Reporting segment total	3,796,855
Income for "Other businesses" classification	17,168
Other adjustments	67,327
Operating income reported on the Consolidated Quarterly Statements of Income	3,881,350

II First quarter of the current consolidated fiscal year (from November 1, 2013 to January 31, 2014)

1. Information concerning net sales and profit or loss of each reporting segment

(Unit: Thousands of yen)

	Reporting segment	Other Businesses (See Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	31,330,718	1,817,538	33,148,257
Net sales or transfers between related segments	—	—	—
Total	31,330,718	1,817,538	33,148,257
Segment income	5,539,121	35,042	5,574,164

(Note) The “Other businesses” classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division and other businesses.

2. Difference between total reporting segment profit or loss and the amount reported on the Quarterly Consolidated Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Thousands of yen)

Income	Amount
Reporting segment total	5,539,121
Income for “Other businesses” classification	35,042
Other adjustments	77,353
Operating income reported on the Consolidated Quarterly Statements of Income	5,651,517